

Remarks by
Acting Comptroller of the Currency Michael J. Hsu
to the
Asian Real Estate Association of America Diversity and Fair Housing Summit
“Expanding Diversity and Inclusion and Minority Homeownership”
May 12, 2022

Good morning. My thanks to the Asian Real Estate Association of America (AREAA) for inviting me to be with you. I regret that I cannot be with you in person. I am honored to speak to this Diversity and Fair Housing Summit as we kick off Asian Pacific American Heritage Month.

With my time, I’ll discuss Office of the Comptroller of the Currency’s (OCC) efforts to support fair housing access for all—no matter their ethnicity, income, gender, or community — by addressing barriers to diversity and inclusion and expanding minority homeownership access.

First, I want to congratulate you on your efforts to improve the lives of Asian Americans and Pacific Islanders (AAPI) through homeownership and your Three-Point Policy Plan. I applaud your advocacy for sustainable access to affordable lending for minority homebuyers and for integrating alternative data into traditional credit scoring models. As your plan notes, this could help expand access to homeownership for the 300,000-plus potential AAPI homebuyers with thin or no traditional credit scores and millions of other consumers.

The OCC recognizes that responsible use of alternative credit data¹ and other tools can help to expand minority homeownership, and I’m pleased to share progress being made on several fronts. These efforts support the OCC’s mission to ensure banks operate in a safe and sound manner, provide fair access, and treat customers fairly. Consistent with our mission, the OCC is working to reduce barriers to homeownership and promote financial inclusion.

Diversity and Inclusion

The OCC is committed to expanding diversity and inclusion — for all consumers, and at all levels of banking and our financial system. This is a timely topic for Asian Pacific American Heritage Month.

Like many of you, I am the child of immigrants. My parents were born in Taiwan. My father grew up on a farm in a small town called Xinying. We were lucky. Because my father

¹ See OCC News Release 2019-142, on “[Interagency Statement on the on the Use of Alternative Data in Credit Underwriting](#),” December 3, 2019.

was a doctor, he was able to buy a modest home in a suburb of Columbus, Ohio, where I grew up. That home provided a solid foundation for building wealth. It also subconsciously helped us feel like we belonged, and that we were able to take part in the American Dream like everyone else.

Homeownership is a major determinant of wealth in America, and this wealth is the key to a host of economic opportunities. Home equity can finance college or other post-secondary education, small businesses, medical and other emergencies. Persistent racial wealth inequality, however, has prevented many potential homebuyers, particularly minorities, from owning homes. And inequality in the United States has been rising steadily for decades.²

The COVID-19 pandemic – with its disproportionate impact on minority communities – has made matters worse. Thanks to a housing shortage and soaring home prices, the 65 percent of Americans who own their own homes have since 2020 seen an unprecedented \$6 trillion increase in housing wealth.³

While these lucky homeowners may rejoice, minority homebuyers now face even higher hurdles and a widening racial wealth gap.⁴ This is concerning to me. I know it concerns you, as real estate agents for Asian American homebuyers, who disproportionately live in more costly and competitive housing markets, and who already have a hard time buying homes and accruing wealth.⁵

What are banks and the OCC doing to help?

First, the OCC is encouraging banks to expand their financing of affordable housing and other community needs, especially in low- and moderate-income (LMI) areas. Expanded access to credit is a key element of the interagency Community Reinvestment Act (CRA) notice of proposed rulemaking (NPR) released May 5.⁶ The joint proposed rule would significantly update regulations intended to encourage banks to meet the credit needs of the entire communities they serve, including LMI areas. The provisions of the NPR are intended to expand access to credit, investment, and basic banking services in LMI areas where they are most needed.

² See “[Trust in America: How do Americans view economic inequality?](#)” Pew Research Center, January 5, 2022.

³ See Federal Reserve, Economic Research, Households; Owners’ Equity in Real Estate, March 2022.

⁴ Ibid. The white homeownership rate is 30 percentage points higher than that of Black households.

⁵ AREAA’s Three-Point Plan.

⁶ OCC Bulletin 2022-14, “Community Reinvestment Act: Interagency Notice of Proposed Rulemaking to Implement the CRA,” May 5, 2022.

Second, the OCC is encouraging banks to ensure their boards of directors and workforces reflect the diverse communities they are chartered to serve. Without diverse leadership and staffing, banks may develop blind spots or miss red flags that threaten their safety and soundness. A growing body of evidence shows companies that address these blind spots with diverse boards of directors have stronger earnings, more effective board governance, better reputations, and less litigation risk.⁷

This all holds true for the OCC, too. In February, the OCC will mark its 160-year anniversary as this nation’s oldest and preeminent banking regulator. Moving forward, the OCC must continue to diversify its staff, and train and promote a diverse leadership team. As senior leaders, our goal is to recruit, hire, and retain a diversified workforce that reflects the increasingly diverse communities served by the banks we supervise. To do this, we must expand our talent search to include members of underrepresented communities of color.

The efforts of our OCC leadership team are supported and informed by our OCC employee networks. One of our largest employee networks is our Network of Asian Pacific Americans, or NAPA, which supports the recruitment, development, and retention of Asian Pacific American (APA) employees; and promotes awareness and understanding of APA culture and heritage. Other network groups include those that represent our Black, Hispanic, Native American, and Veteran employees.

Project REACH

Third, the OCC is working to reduce barriers to minority homeownership with Project REACH– which stands for Roundtable for Economic Access and Change. In July 2020, we launched Project REACH amid widespread civil protests to promote greater access to capital and credit for minority and underserved populations.

As the convenor of Project REACH, the OCC is harnessing the energy and ideas of concerned civil rights, community, banking, business, and other industry leaders across the nation. These leaders are volunteering their time and talents to solve intractable problems and eliminate the barriers that have denied fair access, homeownership, and full and fair participation in our nation’s economy by low-income, minority, and underserved communities.

⁷ See, for example, McKinsey & Company, “Diversity wins: How inclusion matters,” May 19, 2020; Ann Owen and Judit Temesvary, “Gender Diversity on Bank Board of Directors and Performance,” FEDS Notes, Feb. 12, 2019; and Margaret Heffernan, “Willful Blindness—Why we Ignore the Obvious at Our Peril,” 2011.

Project REACH's work is divided into four workstreams: Affordable Homeownership, Inclusion for Credit Invisibles, Revitalization of Minority Depository Institutions, and Access to Capital for Small and Minority-Owned Businesses.

While these workstreams are focused on solving national problems, the OCC also has launched local-focused initiatives in Los Angeles, Detroit, Dallas, Washington D.C., and Milwaukee. With these initiatives, the OCC gives local leaders a forum in solving community problems, some of which may be shared with other communities.

Expanding Minority Homebuyer Programs

I want to discuss the progress made by three of our Project REACH's workstreams that would be of particular interest to AREAA. I'll start with the Project REACH Affordable Homeownership Workstream. This is focused on ways to sustainably grow minority household wealth through expanded homeownership opportunities. Participants are exploring down payment assistance programs; special-purpose credit programs; and mortgage homebuyer counseling services for denied mortgage applicants.

This workstream has identified programs that may be rolled out in other cities or nationwide. Take, for example, the San Diego Black Homebuyers Program,⁸ which uses grant funds, down payment assistance, and homebuyer counseling to help minority homebuyers. The program is a partnership of the Local Initiatives Support Corporation and the Urban League of San Diego County, and one OCC-supervised bank is the program's main lender. The San Diego Foundation provided \$1 million for down payment assistance. To participate, private lenders must provide an additional \$9,000 in down payment assistance to each homebuyer receiving grant funds.

Other programs address ethnic and racial homeownership and wealth gaps. In December, the OCC joined an interagency statement recognizing the U.S. Department of Housing and Urban Development's recently issued Fair Housing Act guidance on Special Purpose Credit Programs.

I also issued a statement encouraging national banks and federal savings associations to explore this type of program as a way to open expand homeownership to those historically shut out.⁹ The OCC is acting on this new guidance by supporting Project REACH participant banks

⁸ See [San Diego Black Homebuyers Program](#).

⁹ See [OCC News Release 2021-30](#), December 9, 2021.

interested in this type of program as a way to offer special terms on rates, down payments, and closing costs to minority home buyers and those living in minority communities who otherwise would not be eligible for credit on favorable terms under the bank's standard policies.

Expanding Affordable Credit to Credit Invisibles

Project REACH's Alternative Credit Scoring Utility Workstream is tackling a problem that keeps many Asian Americans and others who lack traditional credit scores from qualifying for home loans and other credit. This may include as many as 53 million adults who have thin credit files or no traditional credit scores. To help, this workstream is evaluating credit scoring models that use alternative credit data – such as on-time payments for rent, utilities, and other regular payments – to evaluate credit worthiness.

I'm pleased by progress made on this front. A Project REACH participant bank has launched a pilot using an alternative credit assessment utility for issuing credit cards or other small dollar products to people without a traditional credit file. Under this pilot, an alternative credit assessment utility integrates deposit account data in checking accounts and other alternative consumer data that has an understandable relationship to credit worthiness.¹⁰

In addition, Fannie Mae, a Project REACH participant, will now consider rental repayment history in its mortgage underwriting analysis.¹¹

Together, these developments represent good news for your constituents and others who may be creditworthy but have been unable to pass traditional credit scoring tests.

Revitalization of Minority Depository Institutions (MDIs)

Finally, the Project REACH Minority Depository Institution Workstream is addressing the challenges MDIs have long faced in accessing capital and meeting the needs of their customers. The pandemic exacerbated the problem for MDIs and their customers. As you know, MDIs often serve economically challenged communities that may be traditionally underserved by other banks. Several Asian-owned MDIs are critical to the communities they serve.

Many banks in this workstream are now helping MDIs. Nearly two dozen large and midsize banks signed a pledge to strengthen MDIs with investment, technical assistance, business opportunities, executive training, and other resources. A number of large banks are

¹⁰ "See ["JP Morgan, Others Plan to Issue Credit Cards to People With No Credit Scores,"](#) Wall Street Journal, May 13, 2021.

¹¹ See ["Fannie Mae Introduces New Underwriting Innovation to Help More Renters Become Homeowners,"](#) News Release, August 11, 2021.

providing ongoing support to MDI boards of directors; others have formed revenue-generating partnerships. These partnerships are helping MDIs and their minority communities.

Growth of Digital Assets

Before closing, I'll briefly discuss the growing interest in cryptocurrency investments and other digital assets.

Wherever you look, someone seems to be promoting crypto investing as a way to get rich quick, or at least, as a way to accumulate long-term wealth. Recently, Fidelity Investments said it will allow certain retirement savers to hold Bitcoin in their 401(k) accounts.¹²

As a regulator, I'm concerned by the hype and the risk consumers face with this.

One survey found Asian, Black and Hispanic adults more likely than White adults to say they have ever invested in, traded, or used a cryptocurrency.¹³ Others suggest the crypto-owning population is younger, more financially vulnerable, and more diverse than the general population. Of all crypto owners, 70 percent were born after 1980 and 56 percent earn under \$50,000.¹⁴ Of underbanked consumers, 37 percent own cryptocurrency, compared to 12 percent of the unbanked, and 10 percent of the fully banked.¹⁵

To help me understand these and other trends, in April, I hosted the first of what we're calling OCC Financial Health: Vital Signs discussions. Our first focused on minority ownership of cryptocurrencies, and my guests were two experts familiar with the interests and needs of minority communities. We discussed the need for regulators and banks to ensure that *all consumers* have access to the reliable financial information and education they need to evaluate whether cryptocurrency investments are appropriate for their own financial goals and wellbeing.

I firmly believe that better financial education and information will benefit all consumers and help reduce our nation's broad racial wealth gap.

¹² ["Fidelity to Allow Retirement Savers to Put Bitcoin in 401\(k\) Accounts,"](#) April 25, 2022.

¹³ See "16% of Americans say they have ever invested in, traded or used cryptocurrency," Pew Research, November 11, 2021.

¹⁴ See "The State of Consumer Banking & Payments," Q1, 2022, Morning Consult.

¹⁵ See "Banking the Unbanked Requires Raising Trust and Awareness. For the Underbanked, Better Service Means Payments Innovation," Morning Consult, August 17, 2021.

Closing

In closing, I want to encourage everyone to watch for announcements about future OCC Financial Health: Vital Signs discussions. If you missed the April discussion, the video of that discussion is posted on www.occ.gov.

I also want to encourage everyone attending this summit – and any concerned local leaders you know– to join one of our local Project REACH initiatives. In doing so, you can help expand diversity and inclusion and minority homeownership in the communities where you live and work. Please let us know if you're interested in helping by emailing Project REACH at reach@occ.treas.gov.

By working together, we can ensure fair access to financial services and homeownership opportunities for all.